

THE HARD MONEY INTEREST (1865-1870)

The Greenback Era
A SOCIAL, AND POLITICAL HISTORY
OF AMERICAN FINANCE, 1865-1879

BY IRWIN UNGER

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A SINGLE-MINDED devotion to specie payments gave a unity to the hard money cause that the anti-resumptionists, distracted and divided by bonds and banks, could not match. Financial conservatives often argued over means and bickered over details. Some were intransigent contractionists who expected quick and total withdrawal of all greenbacks ; others, advocates of gradual and partial contraction ; still others, men who believed it possible to resume without reducing circulation. But unlike the motley band of Copperheads, labor reformers, congenital dissenters, and maverick businessmen whom they opposed, their sole end, one undisturbed by side issues, was the return to the the gold standard. This does not mean that all men arrived at a hard money position by the same road. The motives of the conservatives were as mixed and complex as their adversaries'. Hard money men responded to conscience and duty as well as interest, and in their own way they were as receptive as their opponents to the cultural and intellectual influences which surrounded them.

If the Pendletonians and labor reformers drew strength from secular Agrarianism, hard money was infused with the values of American Protestantism. As we have seen, a Protestant concern with economic affairs was transmitted from Geneva to Britain and then transplanted to American soil by men of puritan outlook. The financial ferment after 1865 inevitably reawakened this concern. To the ministry, contemporary economic issues were moral issues, and they never doubted that the postwar money question came within their purview as moral guardians of the nation. They agreed with the Reverend Lyman Atwater that "economics and ethics largely interlock," and accepted Leonard Bacon's dictum that "any honest man" could "understand ... financial questions because they are also, and equally, moral questions." Among public issues of the day, only the fate of the freedmen was to engage the Protestant, and particularly the Calvinist, clergy and religious press so completely as the money question.

From the very first, the ministers and the religious editors were active partisans who identified hard money with virtue. The blunt declaration

of the New York *Christian Advocate* that “atheism is not worse in religion than an unstable or irredeemable currency in political economy,” expressed the settled conviction of the great majority of Protestant leaders. Specifically, the religious indictment of soft money had two parts. Specie resumption was a question of common honesty. As the *Congregationalist and Boston Recorder* noted, expediency had become the country’s guiding star with regard to the currency. Politics, momentary convenience, immediate economic advantage, all determined public policy. But these were “merely incidental and collateral.” “The claims of justice and honesty come first and that which is just and honest is always expedient.” The paper system was also a danger to public morality. “It is hardly an exaggeration to say,” declared the *Christian Examiner* of Boston, “that to the disordered condition of the currency we owe the chief part of the extravagance and dishonesty in mercantile circles, and so much of the corruption in public offices as is not due to our imbecile method of filling these offices.” “All other breaches of faith and morality which have been so pregnant with public and private disaster,” wrote Atwater in 1874, “receive stimulus and nutriment from the fundamental breach of faith and morality by the nation itself, in not taking steps to redeem with dollars its own promises to pay dollars.”

If the greenbacks evoked a moral judgment, the ethical import of the bond question was still plainer. The national debt “represent[ed] the national conscience,” and the “first duty of the nation” was “to make its word good.” “If the nation should prove false to its present engagements, entered into before the whole world, and in circumstances peculiarly solemn,” where was “the guarantee that it may not prove false to individuals in other things.” “The true course” was “to maintain the national faith by adhering to its sacred obligations.”

Nor in arguing the money issue could the agents of organized Protestantism refrain from publicly judging specific persons and policies. In the ’60s McCulloch and his partisans were fulsomely praised. The widely circulated New York *Independent* applauded

McCulloch's rebuke to Henry Carey in 1865 and added that "prices must continue to go *down*, *DOWN* the banks and the Government resume specie payments ; and that glorious era cannot come a minute too quick." The *Christian Mirror* of Portland, Maine, carried the Secretary's Fort Wayne speech under the heading "Sound & Hopeful Words," and later endorsed the contractionist recommendations in President Johnson's 1866 Annual Message. The Ohio Idea, on the other hand, was a "base renunciation of our sacred honor"; Pendleton and Butler were "demagogues" and their scheme to tax the bonds and pay them in paper would "disgrace us in the eyes of all Christendom." Henry Ward Beecher, the most popular pulpit orator of the day, preached a financial sermon on the text "thou shalt not steal," scolding the Democrats for adopting the Ohio Idea in their 1868 platform. Pendleton's race for the Ohio Governorship in 1869 incited the *Chicago Advance* into bald political partisanship. "It is a matter of national import that Mr. Pendleton be defeated," editor A.B. Nettleton told his readers, "for his election ... would be a blow to the public credit not to say a slight upon Ohio's patriotic dead." Following Pendleton's defeat, Nettleton wrote his successful opponent, Rutherford Hayes, that "the overthrow of the greenback heresy ... is really an event of national and historic import."

The labor reformers were also rebuked for their currency views. Beecher's *Christian Union* decided that the interconvertible bond looked "remarkably like irredeemable paper currency." The *Advance* was unbecomingly supercilious about the 1869 Labor Congress platform : "Of the English and the logic of these resolves we have not a word to say : they are matters to be wept over. The declaration that somebody is attempting to 'subvert the government of our fathers and establish in its ruins an empire,' etc. is such a happy cross between lunacy and comedy that we have no heart to criticize it soberly." In the end Nettleton complacently dismissed it as the work of "soft handed idlers," not the real workingmen of the nation.

The Calvinist denominations took the lead in the religious attack on heretical financial ideas. Atwater was a Presbyterian, Bacon a Congregationalist ; the *Advance*, the *Christian Mirror*, as well as the *Boston Recorder* and the *Presbyterian Banner* among those quoted above, were all Calvinist papers. Other Protestant groups opposed soft money. The New York *Christian Advocate* was the country's leading Methodist weekly, the *Chicago Standard* was Baptist, and one Baptist minister, the Reverend A.H. Strong of Cleveland, engaged in a loud public fracas with Butler over paying the 5-20s. But throughout the debate, the Calvinist voice is heard most loudly. In addition to the orthodox Reformed weeklies, two of the papers quoted, the *Christian Examiner* and the *Christian Register*, were Unitarian and retained much of the old Calvinist concern for the moral public life. The *Independent* under Theodore Tilton was Congregationalist at its founding and did not abandon its Calvinist perspective with its disaffiliation. Beecher was originally a Congregationalist, and in the following decade his *Christian Union*, along with the Dutch Reformed *Christian Intelligencer*, was to uphold financial righteousness among New Yorkers.

This is not to suggest that the Arminian churches condoned economic unorthodoxy ; they did not. In reality all of organized and official Protestantism in America upheld sound finance. It is largely a question of how much attention the non-Calvinist denominations devoted to public issues. The fact is that they were far less activist and far less interested in finance than the Reformed groups. If the Baptists and Methodists noticed the money question occasionally, the rural, fundamentalist churches, among whose communicants soft money views might be expected to flourish, were totally silent. In a thirteen-year run of the Campbellite weekly, the *Christian Standard*, for example, there is not a single reference to the nation's pressing money problems. Equally significant at the other extreme was the indifference of the Protestant Episcopal church, which then as now represented established wealth and social prestige. Traditionally opposed to zealotry, imbued with an often stultifying decorum, the Episcopal church eschewed all political controversy. Partisan involvement in public issues, declared the editor

of the Hartford *Churchman*, was to be avoided. It often required “more true courage to be silent than to be noisy with the crowd.”

It is difficult to assess the impact of the churches on the financial debate. However, one clear effect was to endow hard money polemics with a moral vocabulary. According to Edward Atkinson, a prominent Massachusetts textile manufacturer, “God’s will and the nature of things” ordained hard money. The pious McCulloch, in his 1865 Fort Wayne speech, also claimed God’s vote for honest finance. The staid weekly, the *Financier*, saw “a connection between irredeemable paper money and the growth of financial dishonesty since the war.” “A bad currency” did “more to debauch public and private morals,” wrote a Michigan friend to David A. Wells, than all other causes combined. What started as pious partisanship sometimes slipped over into fanaticism. The Christian defense of hard money eventually led to a very unchristian fetishism that gave the precious metals almost supernal powers. At its extreme it approached demonology. Wells’s friend believed that paper money exerted an “influence for bad as subtle as the evil one.”

The Christian apology for hard money may seem little more than religion in the service of partisanship. True, the clergy took sides, but it is a mistake to question either their sincerity or the sincerity of those who echoed their arguments. Puritan values were deeply implanted in the American culture, and whether they were “church people” or agnostics, Americans could seldom disregard the stern commands of the Decalogue without emotional discomfort. When the stakes were high enough, men might subordinate the right to the profitable, but it was seldom without some sort of inner pain. In effect the Protestant conscience exacted a price for defiance and, all things being equal, defiance was avoided. The role of the churches, then, was to articulate what much of the public already believed and by constant reiteration make manifest what was latent. Under the ceaseless hortatory barrage of the pastors and the denominational press, hard money took on the odor

of sanctity which gave it an immense competitive advantage with the respectable, church-going middle class.

That the Protestant divines were dangerous foes of monetary “heresy” was never doubted by the heretics themselves, and they were quick to strike back at their clerical detractors. Cameron turned Beecher’s “Thou Shalt not Steal” against the Brooklyn pastor’s stylish congregation—full of “shady” contractors who had amassed fortunes during the War by cheating the government. In the ’70s Ignatius Donnelly’s *Anti-Monopolist* called Beecher himself a “hollow old shell” for his attacks on the greenbacks, and hit below the belt by alluding to his notorious intrigue with Elizabeth Tilton. The greenbackers scolded the editors of the church weeklies for making themselves a party to exploitation and injustice. “The religious press has almost without exception been the allies [sic] of the bondholders and bankers in their endless schemes to fleece the public, and the mouthpiece of the monopolists and the defender of the soulless corporations that fill their pockets by robbing the toiling people.” Even bankers and brokers occasionally supported labor reform, a writer in *Industrial Age* noted, but “the religious press has almost universally wheeled into line in support of the Shylocks and the sharpers.”

Allied with the clergy in the work of creating an “orthodox” financial view were the academic economists. Before the Civil War the clerical influence pervaded American higher education, and at most American colleges “political economy” was taught by a minister as a branch of “moral philosophy.” In the 1850s Atwater had held the chair of metaphysics and moral philosophy at the College of New Jersey. At Brown University President Francis Wayland, a Baptist minister, taught the course in political economy and wrote the most widely used introductory economics text of the prewar period. The War did not suddenly end the clerical-academic association. After 1865 Atwater continued to indoctrinate young ministerial students at Princeton Theological Seminary, while at Yale William Graham Sumner, an ordained Episcopal clergyman, introduced several generations of

students to the mysteries of supply and demand, tariffs, and value, as well as banks, bonds, interest, and money.

It is scarcely necessary to say that the “clerical school” of academicians saw economics as a branch of ethics. Atwater, as we have seen, believed that “economics and ethics largely interlock.” Sumner told his students that God exercised “a political providence over the country ... by the laws of political economy.” But even the lay professors in the postwar period were not entirely liberated from the traditional ethical perspective of their discipline. Francis Brwen, Alford Professor of “Natural Religion, Moral Philosophy & Civil Polity” at Harvard, was trying to combine the old faith in moral law with the fashionable new scientism when he noted that there was “a general science of Human Nature, of which the special sciences of Ethics, Psychology, Politics and Political Economy are so many distinct and coordinate departments.”

This ethical perspective was only reinforced by the dominant intellectual tradition of academic economics. The American professoriate accepted almost without question the dogmas of Classical Economics. Preponderantly free traders, they also subscribed to Ricardo’s and Mill’s anti-mercantilist capital theories. Besides enjoying the prestige of European orthodoxy such theories confirmed, by emphasizing savings and self-denial, deep Calvinist prejudices. Capital, they held, must be distinguished from mere cash. The reward of frugality, real capital was the excess of production over consumption, and its abundance alone, not that of currency, determined interest rates and the ease of borrowing. “To increase the stock of money in the community,” wrote Bowen, “is not thereby to augment the fund available for loans, or to diminish the difficulty of borrowing, or to lower the rate of interest.”

These principles the professors recited over their lecterns to the small elite in the nation’s leading colleges. At Princeton, Yale, Williams, and Harvard, Atwater, Sumner, Perry, and Bowen respectively molded the financial thinking of the young. At Cornell President Andrew White

illustrated the evils of currency experimentation from the lessons of French history. Even in the West the academicians were “sound,” and railed against the economic “vagaries” of their section. But through their writings, particularly the widely circulated introductory texts, the professors’ conservative teachings reached a far larger public. From 1837 on, Wayland’s *Elements of Political Economy* shared the stage with Jean Baptiste Say’s equally orthodox *Treatise*, as the most widely read “first principles” text. By the War it had gone through four editions and many printings and was to appear in six postwar editions. In 1866 the introductory work of Professor A.L. Perry of Williams appeared, usurping first place from Wayland and running through a fantastic twenty editions before 1885. Other prominent texts of the period which dispensed orthodoxy were Amasa Walker’s *Science of Wealth* and Francis Bowen’s *Principles of Political Economy*.

On the specific question of fiat money the text writers followed the Ricardians. Walker’s 1866 text condemned the issue of a legal tender as “a great usury,” never “justified except in the most extreme case of national peril.” Perry declared that “a paper money is only tolerable when it is actually and instantly convertible on demand into gold and silver.” Unlike Walker, he praised the new national banking system and its issues, but concluded that “taking all things into consideration, every way the best money is the gold and silver which God has evidently designed for that purpose.” Bowen’s revised text of 1870 observed that “the prolonged use of Paper Money” had “done even more harm to the morals of the country than to its commerce, its reputation, and its financial well being.” William Graham Sumner’s *History of American Currency* pictured the issue of greenbacks as a great wartime error. “Whatever strength a nation has is weakened by issuing legal tender notes.” “All history shows that paper money with a forced circulation is not a temporary resource. . . . It is a mischief easily done but most difficult to cure.”

Supported by a gifted corps of financial freelances and journalists, which included J.B. Hodgskin, Joseph Ropes, Gamaliel Bradford, Simon

Newcomb, David Wells, and Edward Atkinson, the academic economists allied themselves with the clergy to guard the country's financial purity and advocated heroic measures to return the nation to "sound" practices. Arguing, validly, that to succeed, resumption had to be preceded by deflation, which would bring American paper prices in line with those of Europe, they stubbornly rejected every alternative to massive greenback destruction. "*I do not believe it possible to resume,*" Perry told his former pupil James A. Garfield, "*without further and large contraction.*" Bowen suggested in 1865 that one-fifth of the government's income be set aside in greenbacks "and publicly burned." At the end of eight or nine months "120 million would have been destroyed and gold would be down to 130."

Originally Bowen's idea, this "cremation theory" is generally associated with the name of David A. Wells, Chairman of the Special Revenue Commission established in 1865 to review federal taxation policy. Wells had been a protectionist early in his career. By 1868 his Reports as Special Commissioner had become tracts for both free trade and hard money, and he was the hero of the academicians and the educated public. In 1870 his protectionist enemies forced him to resign his post, but they did not make him abandon the good fight. He became an aggressive and prolific pamphleteer for sound money and in 1875 published *The Cremation Theory of Specie Resumption*, advocating the draconian program of burning half a million greenback dollars weekly.

Another influential champion of "honest finance" was the articulate and public-spirited Massachusetts cotton manufacturer Edward A. Atkinson, a man of immense industry and catholic interests, whose views on finance and protection were to carry great weight with an important section of New England businessmen. Atkinson encouraged McCulloch in his contraction policy and advised Charles Sumner on financial problems. Closely allied with the Yankee reformer element, he wrote numerous hard money pamphlets, and in both the '60s and '70s devoted much of his prodigious energy to leading the contractionist forces against the greenback attack.

Wells and Atkinson are links between the academicians and the middle-class reform impulse of the postwar years. In the '70s this reform current would produce the Liberal Republican movement, and in the following decade men of similar outlook would be called Mugwumps. But in the '60s they generally referred to themselves as "independents" or "reformers" and championed a program of free trade, civil service reform, and hard money.

This genteel reformist current of the Reconstruction period was a complex phenomenon. Like all attempts to alter the *status quo*, it was fueled by discontent. But its appeal was not to the great mass of the underprivileged who filled the nation's urban and rural slums. It was largely the product of the social and political frustration of the middle and upper classes that was such an impressive source of the nineteenth-century American attempts to remake the world.

It is easy to see how post-Civil War America could frustrate educated young men of good family. To an ambitious, self-confident, young aristocrat like Henry Adams, America of the late '60s seemed an appalling place. Returning from England in 1868 intent on carving out a brilliant career in public affairs, the